



Practice Transitions Made Perfect™

Newsletter Article Reprint

Recognizing the Path to Economic Recovery

May 2009

In addition to informal meetings throughout the year, twice a year ADS holds formal national conferences where we, as members, collaborate to enhance our individual and collective abilities and skills in dental practice transitions. We work together to set the highest standards in the practice transition profession and reach out to the dental and financial community to develop ways to bring the best transitions services to you, the dentists in our respective local areas. This is a unique opportunity for our company and organization and is something that no other Florida broker can match – extensive access to the best resources, experts and training.

At our most recent meeting in Denver, Bank of America Practice Solutions, as one of our preferred lenders, lead an in-depth discussion about the current state of the economy. Dan Kerwin, Chief Financial Officer from Bank of America gave an enlightening presentation on Risk & Opportunities in this economy discussing many topics including:

- How we got in this economic mess?
- How are we economically today?
- Where will we be with our economy tomorrow?
- When will our economic troubles be over?

Let's be honest, we've probably all heard enough doom and gloom to last for many years. We can read about it in every newspaper (that still exists) and hear it daily on every news channel. What we need to know, though, is what should we look for to know that we are coming out of the economic hard times?

In his presentation, Dan Kerwin listed 10 indicators of an improving economy. These indicators are easy things to watch for, they are common sense indicators, and seem very obvious once you hear them.

#10 Movie Tickets Sales

In 2008, ticket sales dropped 4% but so far this year ticket sales are up 13% from last year. As movie ticket sales increase, more are deciding they can enjoy the night out instead of renting a movie in.

#9 Credit Cards and Debt Collectors

In bad economic times the bill collectors are very hospitable, they are generally willing to work with those that owe; they want to work out a payment plan. When the bill collectors become less hospitable and aren't willing to work with those that owe, the economy will be improving.

#8 Cardboard

Cardboard is necessary for packaging (retail, shipping, moving, etc). When the need for cardboard increases, people are buying, spending, and shipping more, indicating positive momentum for the economy.

#7 Pasta

Similar to renting a movie, pasta is cheap. When the economy is down people eat pasta and pasta sales increased by 22% in 2008. As pasta sales slow, things could finally be getting better.

#6 Interest Rates / Treasury Notes

This is a bit more complex but it can be boiled down to three metrics. First, the 10 year t-note yield and corporate bond spreads. Second, the TED spread and third, the three month t-bill yield. When the first spread decreases to 2%, second spread decreases to 0.40 and the yield increases to above 0.75, all indications are that the economy is in recovery.

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#5 Retail Sales

As retail sales grow, so will the economy. January and February showed increases, but March was down. Also watch for sales at Wal-Mart and McDonalds to slow down as people return to the more trendy retail shops and restaurants.

#4 Car Sales

The struggling American car manufacturer is a daily news story. The fourth quarter of 2008 resulted in the worst annualized new car sales rates in 28 years. When new car sales stabilize at any level, the economy will be improving.

#3 Jobs

Specifically, we're looking at the demand for temporary help. When employers have an overflow of work, more than the full time staff can handle, this will require extra help in the form of temporary employees, and this is a sign of a good turn in the economy.

#2 More Jobs

Here, we consider the number of hours that employees are working. When the average number of hours worked by an employee begins to increase that will mean business is picking up and we will start seeing people work more overtime or move from part-time to full-time, all contributory signs that the economy is on an upswing.

#1 Home Sales

Now this isn't a surprise to anyone. We know houses aren't selling and when they start to sell, or we start building houses again, we will know that things are improving. When the home builder index increases to 40 this indicates times are improving. We've already seen an increase since the time of the talk, so we may be on the road to recovery.

One final major point to keep in mind is that the country is considered fully employed when the working population reaches 96% (4% unemployed). The recent statistics are that the country's unemployment rate is 9%, meaning that 91% of the country has jobs. For reference, Florida's unemployment rate is currently around 9.5%.

No surprise, especially during "sweeps" on TV, but bad news sells and bad headlines seem to perpetuate the negative mindset. Fear drives people to hold their money tightly. We cannot ignore the news but we need to temper it with information on the other side of the story as well.

To make it easy for you to keep track of these indicators, we've added a page on our website specifically for you to have easy reference to the data. You can access this page at <http://www.ADSflorida.com/economy> or from the link on our website.

If you feel you need or just would like assistance in managing your practice through the current economy as we build towards recovery, please do not hesitate to let us know.

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